



STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 664-1160 • TTY (360) 586-8203

August 19, 2008

Ref: UT 4-1250

UW-081226

Mr. Richard Kloss
4244 Bullfrog Road Ste 1
Cle Elum, Washington 98922

Subject: Suncadia Water Company, LLC
UW-081226

via E-mail
Data Request 3

Dear Mr. Kloss:

The Washington Utilities and Transportation Commission (commission) has received the filing for general rates for the above company. To help Staff understand this filing, please provide the following items.

Please provide a detailed explanation of the services provided for the following accounts. Additionally, please explain how the cost for each is derived or allocated for the water company.

1. Contractual service for \$13,522 and why this cost will be an ongoing cost for each year.
2. Contractual legal for \$6,142 and why this cost will be an ongoing cost for each year.
3. Professional fees for \$33,983 and why this cost will be an ongoing cost for each year.
4. Accounting cost for \$37,500 and why this cost will be an ongoing cost for each year.

I have now completed the rate design and will be forwarded this for review shortly.

Data requests responses, discussions, analysis, and negotiations need to be completed before staff can prepare materials for presentation to the commission. Currently this item is not scheduled for action. Staff would like to complete its review and schedule for the September 11, 2008 open meeting for action. If you have any questions, please contact me at jward@wutc.wa.gov or (360) 664-1250.

Sincerely,

Jim Ward
Regulatory Analyst



August 21, 2008

Mr. Jim Ward
Regulatory Analyst
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive, S.W.
Olympia, WA 98504-7250

RE: Suncadia Water Company, LLC
UW-081226
Data Request 3

Dear Mr. Ward:

This letter and attachments is in response to your Data Request #3.

1. Contractual services for \$13,522 and why this cost will be an ongoing cost for each year.

Attached is a detail of the costs included in Contract Services in 2007. Approximately \$8,485 of these costs are related to the water comprehensive plan update and \$3,953 are related to the water rate case filing. Both of these costs are probably more correctly classified as professional services and are discussed in Question 3 below.

That leaves a balance of about \$1,084. About \$551 of these costs are related to services for testing and a utility location notification service. The balance was related to snow removal. All of these costs will be on-going after 2007 and the snow removal costs will be substantially higher.

In 2007, most of the snow removal costs were paid by Suncadia and not passed on to Suncadia Water Company. Additionally, there are now more assets that require snow removal. Initially there was the reservoir road leading to the MPR reservoir and booster pump; now in addition there is Utility Complex 6 (potable booster pump) and the Tumble Creek reservoir road. Additionally, a new cost for 2008/09 winter season will be the cost of keeping fire hydrants cleared of snow.

So on a recurring basis, you have the two existing services of about \$600 per year plus an estimate for snow removal of \$8,000 - \$10,000 (of course dependent upon the severity of the winter).

2. Contractual legal for \$6,142 and why this cost will be an ongoing cost for each year.

Attached is a schedule that details the 2007 legal costs. Admittedly a portion of these costs are related to costs of getting the water utility up and running. It does seem reasonable that there will be some minimum level of legal services each year (customer collection issues, easements, miscellaneous agreements, etc.). Maybe an estimate of \$2,000 per year until we get a track record of these costs.

3. Professional fees for \$33,983 and why this cost will be an ongoing cost for each year.

Attached is a schedule that details the 2007 professional fees. And as mentioned above in Question 1, there is another \$12,483 of costs related to the water comprehensive plan and to the water rate case filing that probably were more properly recorded to this account.

Of the total \$33,983, \$25,589 is related to the water comprehensive plan update, \$5,744 related to the water rate case filing, and \$2,650 related to determining fire flows for residential builders (builders inquire as to the fire flow at building locations so they know how to size the required fire sprinkler system in the home.

The costs recorded to this line item currently are comprised of 3 principal activities: water comprehensive plan update, water rate case, and fire flow calculations.

- a. Water comprehensive plan update – this is an update required every 6 years; total estimated costs for this update is \$75,000, with the bulk of the spending happening in 2008; there will be several years without any cost for this activity, with the next update being 2013/2014.
- b. Water rate case filing – it is difficult to know how often rate cases will be filed; there may need to be one fairly quickly after this initial case once we have a full year of operating data. However, on a recurring basis after that, we may be able to assume a case every 2 to 3 years.

Similar to the water comprehensive plan, the bulk of this costs is

occurring in 2008. And this being an initial plan, the costs are much higher (approximately \$105,000 versus \$25,000-\$30,000 on subsequent submissions). We will probably have one year (2009) without costs and then costs in 2010 as we report on 2009 and possibly prepare a revised water rate case based on those numbers.

- c. The final activity was calculation of fire flows. As of right now, it appears that we have enough calculations to provide the answers needed by the designers/builders of new homes in the resort needing that data to properly design the required fire sprinkler systems. As the resort expands, there may be cost in the future.
4. Accounting cost for \$37,500 and why this cost will be an ongoing cost for each year.

The accounting costs reported in this account is the amount charged by Suncadia, LLC for the accounting services provided by Suncadia to Suncadia Water Company, LLC (as it does not have any accounting staff). Attached is a schedule prepared by Suncadia accounting showing the services provided, an estimate of the time spent, and the cost.

The financial model that accompanied the water rate case showed the hiring of an office/clerical employee by Suncadia Water. That person will pick up some of the functions currently performed by Suncadia accounting (specifically, billing and invoicing and assisting in responding to customer inquiries about account balances (this duty will continued to be shared with Suncadia accounting)).

The attached schedule shows that the value of the services provided by Suncadia accounting to be slightly more than the \$37,500 that was charged in 2007. The schedule also shows the value of the services after removing the duties absorbed by the Suncadia Water new hire, and this value is just slightly under the \$37,500 figure.

The table on the following page summarizes the information discussed above.

	2007	2008	2009 thereafter
	(no inflation; no adjustment for customer growth)		
Contracted services	13,522	10,600	10,600
Legal costs	6,342	2,000	2,000
Professional fees			
Water comp plan	21,637	42,500	0 Next cost 2013
Water rate case	9,696	95,300	0 Next cost 2010
Fire flow calcs	2,650	0	0
Accounting cost	37,500	37,500	37,500

Please let me know if you have any questions about any of the enclosed information.

Suncadia Water Company, LLC

Contract Services

2007

Cascade Analytical Inc	\$	280.00	- coliform collert - testing
W & H Pacific		681.74	- water comp plan
One Call Concepts, Inc		271.00	- NW Utility Notification Center - utility locates
Hubregtse, Louman & Assoc.		2,427.80	- water comp plan
ESM Consulting Engineers		4,900.88	- water comp plan
Goldsmith & Associates		475.00	- water comp plan
Financial Consulting Solutions Group		3,952.50	- rate case
Norm Cook Trucking		533.12	- snow removal at Utility Complexes
		<u>\$ 13,522.04</u>	

Suncadia Water Company, LLC

Lathrop Winbauer Harrell, Slothower & Denison LLP
Hillis Clark Martin & Peterson LLP

\$ 300.00 - misc legal

6,041.77 - asset transfers, service agreements, rate case

\$ 6,341.77

Suncadia Water Company, LLC

Finanacial Consulting Solutions Group, Inc
ESM Consulting Engineers, LLC
W & H Pacific

\$ 5,743.75 - water rate case
4,563.94 - \$2,650 fire flow calculations; balance water comp plan
23,675.39 - water comp plan

\$ 33,983.08

Suncadia Water Company, LLC

Accounting Costs monthly
Months in year 12
Annual Accounting Costs

\$ 3,125.00
12
\$ 37,500.00

AR	Hours	Qtr/Mo/ Annualize Wk	Hourly Rate	Load @ 30%	Total hourly rate	Total Annual amount	
Invoicing (including stuffing)	13 Qtr	52	17	5.1	22	1,149	New hire for Water company will handle this
Posting Cash Receipts	8 Wk	416	18	5.4	23	9,734	Will continue to do going forward
Customer Service Calls - related to posting.	2 Wk	104	20	6	26	2,704	Combination of new hire for water company and accounting
Total AR Hours		572				13,588	

AP

Includes Data entry, check processing, PO's and research
Review and sign checks and aprons
Total AP Hours

10 Wk	520	18	5.4	23	12,168	Will continue to do going forward
4 Mo	48	36	10.8	47	2,246	Will continue to do going forward
	520				12,168	

Cash Management

Deposit Water checks
Cash Management reports & cash tracking

2 Wk	104	15.5	4.65	20	2,096	Will continue to do going forward
2 Mo	24	18	5.4	23	562	Will continue to do going forward
	128				2,657	

General Ledger

Entries
Month-end (all JE's and month-end entries and accruals)
Reconciliations - Bank
Reconciliations - other
Financial Statements & Review
Audit & Prep
Total General Ledger

12 Mo	144	36	10.8	47	6,739	Will continue to do going forward
2 Mo	24	25	7.5	33	780	Will continue to do going forward
4 Mo	48	25	7.5	33	1,560	Will continue to do going forward
3 Mo	36	36	10.8	47	1,685	Will continue to do going forward
15 Yr	15	40	12	52	780	Will continue to do going forward
	267				11,544	

Total

1,487
39,957 Currently they are only paying \$37,500

Items new hire to handle after hired

104	2,501
1,383	37,456